

Memorandum

To: Chairman and Commissioners

Date: July 10, 2000

From: Robert I. Remen

File No: F 9
BOOK ITEM 4.1
ACTION

Ref: STATE LEGISLATION

State Budget and Governor's Traffic Congestion Relief Plan

Governor Davis signed AB 1740 (Chapter 52, Statutes of 2000), the State Budget Bill, on June 30, 2000. The budget process set aside \$2 billion from the State General Fund for the Governor's Traffic Congestion Relief Plan (TCRP). AB 2928 (Chapter 91, Statutes of 2000), which was signed by the Governor on July 6, 2000, appropriates the \$2 billion and defines the TCRP. A summary of AB 2928 follows and the Governor's signing message to the Legislature is attached.

The project list in the TCRP was amended by SB 406 (Chapter 92, Statutes of 2000) which was also signed by the Governor on July 6, 2000. The TCRP is also subject to clean-up legislation in August. The funding for the TCRP is composed of a \$1.5 billion General Fund appropriation and the transfer of \$500 million from the sales and use tax revenues from gasoline.

The Legislature began its Summer Recess July 7, 2000. Any further legislative action must wait until the Legislature reconvenes August 7, 2000. The Legislature's Final Recess begins August 31, 2000.

AB 2928 (Torlakson) - Transportation Finance, Chapter 91 Statutes of 2000

1. AB 2928 takes effect immediately as an urgency statute.
2. Extends the 4-year State Transportation Improvement Program (STIP), and the 4-year Fund Estimate process, to 5 years.

Traffic Congestion Relief Program (TCRP)

3. Establishes the Traffic Congestion Relief Fund (TCRF) in the State Treasury and appropriates the money in the TCRF to:
 - Caltrans for allocation, as directed by the commission, to Caltrans and certain regional and local transportation entities for transportation projects listed in the bill,
 - The Controller for allocation to cities, counties, and cities and counties for street and road maintenance, rehabilitation, and reconstruction,
 - The commission for the purposes of a funding exchange program established by the bill, and
 - Caltrans for rehabilitation and repaving projects on state highways.

4. Establishes a list of transportation projects eligible for funding with money from the TCRF, specifies the lead applicant for each project, and establishes a procedure for the lead applicant to apply to the Commission for funds for each project.
5. Authorizes the designated lead agency for a project specified in the TCRP to submit an application for an alternate or substitute project which is designed to relieve congestion consistent with this act if:
 - the specified project is delayed by environmental or other factor external to the control of the lead agency,
 - sufficient matching funds are not available,
 - the specified project is not included in or consistent with the respective regional transportation plan, or
 - completion of the specified project would jeopardize completion of other projects previously programmed in the STIP.
6. Requires the Commission, not later than 90 days from the effective date of the act, in consultation with Caltrans and representatives from regional agencies and local agencies, and after a public hearing, to establish guidelines to implement this chapter. The guidelines shall include, but not be limited to:
 - criteria for project applications,
 - estimation costs,
 - assessment of capability to complete the project,
 - allocation of funds to project phases,
 - timely expenditure of funds,
 - management of changes to cost, scope, and schedules,
 - assessment of progress in implementing projects, and
 - audit requirements.
7. Authorizes the Commission, upon adoption of implementing guidelines, to consider project applications, and requires that the Commission shall:
 - ascertain that a project is included in, or is consistent with, the appropriate regional transportation plan before approving a project application involving right-of-way or construction phases,
 - begin review of a project application within 30 days of receipt of the application,
 - either approve or deny a project within 90 days of receipt of the application and all requested information, and state specific reasons for denying an application,
 - not deny, or unreasonably delay approval of, an application that meets the requirements of this chapter, including the guidelines adopted by the Commission,
 - direct Caltrans to allocate funds to the appropriate agency for projects specified in the TCRP, specifying the percentage rate of reimbursement for expenditures for each phase of the project, considering the funding shares from various sources that comprise the full funding of each phase.

8. Provides that approval of a project by the Commission shall be deemed rescinded if the responsible agency does not seek an allocation from the Commission and start the first phase of work during the fiscal scheduled in the approved project application.
9. Requires that Caltrans shall execute a cooperative agreement with the agency responsible for carrying out the work for reimbursement of project expenditures approved by the Commission, and shall use electronic reimbursement procedures to the extent prudent and practical.
10. Provides that funds allocated from the TCRF shall be available for encumbrance for three years after the date of allocation, and encumbered funds shall be available for liquidation for two additional years, unless the time limit is extended by an act of the Legislature. Any funds not expended by that time-limit shall revert to the TCRF.
11. Provides that after notifying the commission of savings in any phase of a project, the lead applicant may use those savings for expenditures on a later phase of the same project. If a project can be completed at a lower cost than expected, any savings shall be divided among all funding sources contributing to the project in the proportion each of the funding sources bears to the total funding for the project as defined in the approved project application. For the savings that revert to this program, the Commission shall determine the amount to be returned to the TCRF.
12. Requires that the Commission shall report annually, starting no later than February 2001, to the Governor and the Legislature on progress in implementation of the program. The report shall assess programwide implementation progress, and identify project schedules and delays, project failures, cost savings, and any opportunities for the specification of additional or alternative projects for funding. The Commission report may also discuss any significant issues associated with implementation of the program, and recommend changes that could improve implementation.
13. Requires the Commission to:
 - establish a program to allow exchange of federal regional surface transportation funds and federal congestion mitigation and air quality program funds for state transportation funds,
 - to propose guidelines and procedures to implement this section,
 - hold a public hearing on the guidelines,
 - adopt the guidelines on or before February 1, 2001,
 - begin the exchange program on or before February 1, 2001, if it determines that funding is available for that purpose,
 - amend its guidelines after holding a public hearing, but not between the time it notifies regional transportation planning agencies of the amount of state funds available for exchange and its approval of projects for exchange in any given year,
 - include a summary of exchanges made pursuant to this section in its annual report to the Governor and Legislature pursuant to Section 14556.36, including an assessment of progress in implementing projects funded by exchanges, and discussion of issues and recommendations related to implementation of the exchange program.

Funding Provisions

14. Appropriates \$1,500,000,000 from the General Fund to the TCRF.
15. Appropriates \$400,000,000 from the TCRF to the Controller for allocation to cities and counties for certain, specified purposes of this bill.
16. Appropriates \$5,000,000 from the TCRF to the High-Speed Rail Authority for the purpose of commencing preliminary environmental documentation for the implementation of a high-speed rail service in California.
17. The sum of \$678,000,000 is intended to be provided in each of five successive fiscal years, commencing with the 2001-02 fiscal year.
18. Requires, for the 2000-01 fiscal year only, that all revenue, less refunds, derived under the state sales and use tax law at the 5% rate, resulting from state and federal motor vehicle fuel taxes, be transferred quarterly to the TCRF.
19. Requires the Controller to transfer the estimated amount that is attributable to revenue collected for the sale, storage, use, or other consumption in this state of motor vehicle fuel from the General Fund to the Transportation Investment Fund (TIF), which the bill creates in the State Treasury.
20. Requires the Controller, for each quarter during the period commencing on July 1, 2001, and ending on June 30, 2006, to transfer from the TIF :
 - (a) to the TCRF, the sum of \$169,500,000, for a total transfer of \$3,390,000,000;
 - (b) to the Public Transportation Account 20% of the amount remaining in the TIF after the transfer described in (a),
 - to Caltrans, 50% for purposes of bus and passenger rail services, or transit capital improvement projects,
 - to the Controller, 25% for allocation to the State Transit Assistance program based upon proportional transit revenues of each transit operator to the total revenues of all operator in the State, and
 - to the Controller, 25% for allocation to the State Transit Assistance program based proportional population of each transportation planning agency's region to the population of the State.
 - (c) to Caltrans 40% of the amount remaining in the TIF after the transfer described in (a), for programming for transportation capital improvement projects, subject to all of the provisions governing the State Transportation Improvement Program;
 - (d) to the counties, including a city and county, 20% of the amount remaining in the TIF after the transfer described in (a), for apportionment in accordance with local subvention formulas; and
 - (e) to the cities, including a city and county, 20% of the amount remaining in the TIF after the transfer described in (a), for apportionment among the cities in the proportion that the total population of the city bears to the total population of all the cities in the state.

General Provisions

21. Authorizes money deposited into the State Highway Account in the State Transportation Fund that is not subject to the constitutional requirements of Article XIX of the California Constitution to be used for any transportation purpose authorized by statute.
22. Requires that funds transferred as described in (d) and (e) be deposited in local transportation accounts in order to avoid the commingling of those funds with other local funds and that the funds be used only for street and highway maintenance, rehabilitation, reconstruction, and storm damage repair, as defined.
23. Requires cities and counties to maintain their existing commitment of local funds for street and highway maintenance, rehabilitation, reconstruction, and storm damage repair in order to remain eligible for allocation of the funds described in (d) and (e).
24. Requires, until June 30, 2001, that the amounts transferred to the TCRF from the General Fund be included for purposes of calculations relating to school funding required under the California Constitution.
25. Prohibits, for the 2000-01 fiscal year, any General Fund forecast of revenues used for implementation of superseding offsets of the annual vehicle license fee from including any revenue loss due to the transfer of Sales and Use Tax Law revenues to the TCRF.
26. Requires the Los Angeles County Metropolitan Transportation Authority to give first priority for using its share of transit assistance and operation funds made available under this bill to providing the levels of bus service mandated under the consent decree entered into by the authority on October 29, 1996, in the case of Labor/Community Strategy Center, et al. v. Los Angeles County Metropolitan Transportation Authority.

July 6, 2000

To Members of the Assembly:

I am signing Assembly Bill No. 2928, a comprehensive transportation funding measure which incorporates most of the proposals I made for almost \$5 billion in congestion relief, transportation system connectivity and goods movement projects. The bill also provides over \$1.4 billion in additional funds over five years for local street and road maintenance, transit operations and State Transportation Improvement Program projects.

However, I am reducing or eliminating certain appropriations made in Section 6 of the bill, which adds Chapter 4.5 (commencing with Article 5, Section 14556.40) to Part 5.3 of Division 3 of Title 2 of the Government Code, by a total of \$93,800,000. These expenditures are being eliminated because I have specific concerns about the projects and their priority for inclusion in this plan, and about the precedent these projects would set with respect to state expenditures. Additionally, I am requesting that the Legislature enact subsequent legislation to correct certain technical defects in this bill and modify the financing of the program to have less of an impact on the State General Fund in future years.

I am reducing the expenditures in Chapter 4.5, Article 5, Section 14556.40, Subsection (a) of the Government Code by eliminating or reducing the following paragraphs:

Paragraph (120) is eliminated, which allocates \$1,500,000 to Yuba County for the Yuba Airport runway extension and associated improvements. This project is not a congestion relief project affecting most travelers in the area..

Paragraph (125) is eliminated, which allocates \$5,000,000 to the Orange County Transportation Authority for the Route 57 toll road environmental impact report and study for expansion project. The franchise agreement for this project prohibits use of state funds in this fashion.

Paragraph (130) is eliminated, which allocates \$3,500,000 to the City of Garden Grove for the Route 22; connector to the interchange with I-405. Over \$206 million for Route 22 is already included in paragraph (70).

Paragraph (131) is eliminated, which allocates \$800,000 to the town of Apple Valley for the Bear Valley Road closure project and Kasota Road safety redesign. Funding for this project may be available in the State Highway Operations and Preservation Program and through local street and road funding.

Paragraph (132) is eliminated, which allocates \$7,000,000 to Los Angeles County for the Fairway Drive grade separation project in the San Gabriel Valley. This project already has access to several funding sources through the Alameda Corridor East Project.

Paragraph (136) is eliminated, which allocates \$3,500,000 to City of Palmdale for the widening of Avenue S; between Route 14 and Route 138. This project does not appear to provide significant congestion relief or to fit other priorities for use of these funds.

Paragraph (137) is eliminated, which allocates \$5,500,000 to City of Lancaster for improvements to the Fox Field Industrial Corridor. This project does not appear to provide significant congestion relief or to fit other priorities for use of these funds.

Paragraph (138) is reduced by \$3,000,000 to \$4,000,000, which allocates funds to the Cross Valley Rail Corridor Joint Powers Authority for the upgrade of railroad track from Visalia to Huron. This project mainly funds improvements to rail lines that will be used by short line freight rail. Although I recognize that this project may provide significant local goods movement capacity, I expect local and railroad funds to provide the majority of funding.

Paragraph (142) is reduced by \$1,500,000 to \$2,000,000 for the City of West Hollywood for the repair, maintenance, and mitigation of Santa Monica Boulevard. A portion this project appears to be eligible for the street and road maintenance funding provided in this measure.

Paragraph (143) is eliminated, which allocates \$1,900,000 to the Capital Corridor Joint Powers Authority for the expansion of intercity rail service between San Jose, Oakland, and the Sacramento region. Such service cannot be implemented this year, and the ongoing operating costs should be funded from the Public Transportation Account in due course.

Paragraph (144) is reduced by \$45,000,000 to \$5,000,000 for the Golden Gate Bridge Highway and Transportation District for the seismic retrofit of the Golden Gate Bridge. It is my understanding that other funding sources are available, and Caltrans will be working with the District to assist in securing federal funding for this project.

Paragraph (147) is eliminated, which allocates \$7,000,000 to the Imperial Valley Association of Governments for the reconstruction of the I-8/Imperial Avenue interchange. This project does not appear to provide significant congestion relief or to fit other priorities for use of these funds.

Paragraph (155) is eliminated, which allocates \$8,600,000 to the City of Chula Vista to acquire right-of-way, build, and operate a 10-mile limited access toll facility from San Miguel Road to Otay Mesa Road and conduct a due diligence review, including an independent appraisal of the feasibility of acquisition by a public agency of the Route 125 franchise agreement authorized under Section 143 of the Streets and Highways Code. I do not support state funding for the acquisition of a private toll road franchise.

Additionally, I am taking identical actions on the same projects as listed in SB 406, a measure that corrects certain provisions of this bill.

Sincerely,

GRAY DAVIS